

**STIPULATION AND AGREEMENT OF SETTLEMENT**

The parties to this proceeding, the New Jersey Board of Public Utilities ("BPU" or the "Board"), and Jersey Central Power & Light ("JCP&L" or the "Company"), by and through their legal counsel, have agreed to settle the above referenced matter subject to the terms and conditions specified below. Nothing in this Stipulation shall be deemed to limit the Board's authority over JCP&L with respect to all aspects of reliability and service quality issues.

1. On or before March 1, 2003, JCP&L shall file with Board Staff a report describing its tree trimming program and its compliance with the Board's previous orders concerning tree trimming.
2. During a major event, defined as an incident that results in more than 65,000 customers in JCP&L's franchise territory without power for more than 24 hours, JCP&L shall have, within its franchise territory, at least 200 hazard responders responding to the event within 8 hours, and 150 restoration crews responding within 12 hours, of the first customer outage reported by the PowerOn system. The obligation to maintain the above number of hazard responders shall continue until all trouble locations are spotted and reported, and the obligation to maintain the above number of restoration crews shall continue until restoration crews have been dispatched to all remaining trouble locations. Crews may include one, two or three persons, as appropriate for the job to be accomplished. A hazard responder or restoration crew shall be deemed to have responded to the major event when the hazard responder or restoration crew shall have reported to his/her/its designated work area on JCP&L property and shall be counted towards meeting JCP&L's commitments as set forth above even during rest periods. This requirement does not relieve the Company of its obligation to secure additional resources until restoration is finally achieved. Failure to comply with this requirement shall result in stipulated penalties of \$60 per hour, per person, for hazard responders when the level of hazard responders drops below 200 and/or \$170 per hour, per crew, for restoration crew members when the level of restoration crews drops below 150. Within 30 days of the final restoration, JCP&L shall submit to Board Staff a timeline showing the number of hazard responders and restoration crews, identified by employee number, and the times that they worked. After JCP&L has complied with these commitments for four

major events, as defined above, or one year, whichever is longer, JCP&L may petition the Board to release it from this requirement.

3. JCP&L shall increase its New Jersey employment by at least 40 new full-time employees within planning, design and protection engineering, dispatching, relay testing, substation operations and maintenance, forestry, customer service and/or line operations and maintenance at the Company's discretion. Such increase in employment shall take the form of new employees. JCP&L shall issue a monthly report to Board Staff detailing the progress of its efforts, and will use its best efforts to complete such hiring by September 1, 2003. JCP&L shall notify Board Staff if it is not able to meet this deadline, and may request an extension of time to meet this requirement. Board Staff shall not unduly withhold approval of this request. In order to accommodate normal attrition and other changes in employment levels over time, JCP&L shall also maintain staffing levels for the following job classifications and activities, over the period from March 1, 2003 through the termination of this commitment as set forth below, such that the average over such period of the daily number of employees and contractors shall be no less than 672 (plus any of the 40 employees noted above that are included in the following job classifications). This commitment as to staffing level shall terminate when the Board has taken action with regard to Board Staff's focused audit referenced in Paragraph 8 of this Stipulation, provided that such commitment shall in any event terminate on October 31, 2004, whether or not the Board has taken such action.

- Cable Splicer
- Express Service Technician
- Line, Construction and Maintenance
- Line Inspector
- Underground Construction and Maintenance
- Underground Residential Distribution
- Street Light Work

4. JCP&L shall undertake a study of staffing levels that would be appropriate for the long term provision of safe, adequate and proper service considering technology and productivity improvements, best practices for maintenance operations, the use of contractors, benchmarking with other utilities, and growth in its service area. JCP&L shall retain the use of an outside consultant to assist it with the study. The consultant shall meet with JCP&L's unions to discuss any concerns they may have concerning such matters, and give consideration to the unions' positions in the study. The consultant shall also meet with Board Staff to discuss any concerns it may have concerning such matters, and to obtain and share information concerning other New Jersey electric utilities. The study shall be completed and submitted to Board Staff no later than July 1, 2003. This effort shall be coordinated with the work to be undertaken pursuant to Paragraph 8 of this Stipulation.

5. JCP&L shall sponsor a Power System Institute training program for New Jersey similar to those that have been, and are being, established throughout FirstEnergy's service areas. If such an Institute is not available to train new line staff for New Jersey beginning no later than September 30, 2003, then JCP&L shall restore its apprentice program and will keep such program in place until an Institute is established. JCP&L shall notify Board Staff and the Company's unions by July 1, 2003 as to whether or not the training program will take place.
6. JCP&L endorses and shall actively assist the Board Staff with its efforts to establish an electric utility working Group to evaluate the current mutual aid system, and identify improvements that should be made to better respond to outages.
7. JCP&L shall engage the services of Michael Gaffney, an adjunct professor at Cornell University, to work with management and the Company's unions to improve the existing management/union relationship. By April 5, 2003, Mr. Gaffney shall provide to Board Staff an outline of the process for improving the union/management relationship. Mr. Gaffney shall provide monthly progress reports for the first six months, and quarterly progress reports thereafter, to Board Staff beginning July 1, 2003. JCP&L shall provide Board Staff with all recommendations made by Mr. Gaffney. For those recommendations that JCP&L decides to not implement, it will provide Board Staff with an explanation for its decision. Mr. Gaffney's services shall continue through December 31, 2004.
8. Board Staff shall undertake a review and focused audit of the Company's Planning and Operations and Maintenance programs and practices and, subject to Paragraph 15 of this Stipulation, its compliance with the previous focused audit and Board regulations and applicable statutes. Pursuant to N.J.S.A. 48:2-16.4, all expenses associated with the audit shall be borne by JCP&L.
9. JCP&L shall upgrade and enhance its PowerOn System by increasing the accuracy within the PowerOn outage prediction module, the flexibility for dispatching personnel to interpret outage data, and the data management system capabilities to enhance reporting abilities. JCP&L shall complete the upgrades and enhancements by August 31, 2003, and shall report to the Board concerning such efforts no later than September 30, 2003.
10. Upon request by an authorized person in any county or municipal office of emergency management in each county and municipality in JCP&L's service territory, directed to a designated JCP&L liaison for such office, JCP&L shall immediately (within one hour) send its Critical Care Customer lists to such emergency management offices. JCP&L shall notify each such office, in writing, of the designated JCP&L liaison for such office.
11. JCP&L shall provide a bill insert, approved by Board Staff, to all customers by June 1, 2003, and pursuant to N.J.A.C. 14:3-7.12(a)3, semi-annually thereafter, requesting customers to update information and confirm status as a critical care customer. The

list of critical care customers within JCP&L's service area, shall be provided to all county and municipal OEM offices on an semi-annual basis. The Company shall also put in place a process to send an Interactive Voice Response (IVR) message to, or otherwise to call, all critical care customers if their power is expected to be out for more than 24 hours.

12. JCP&L shall provide a bill insert, approved by Board Staff, to all customers by June 1, 2003, and annually thereafter, seeking to identify those customers who depend on a private well for drinking water. This list shall be updated annually and provided to all county and municipal OEM offices within JCP&L's service area. The Company shall also put in place a process to send an IVR message to, or otherwise to call, customers with private wells if their power is expected to be out for more than 24 hours informing them of where they may get water and ice.
13. JCP&L shall report to Board Staff, no later than July 1, 2003, with regard to its continuing efforts to communicate to emergency management officials in affected areas regarding better estimates of restoration.
14. In order to foster additional enhancements to the emergency response processes within New Jersey, JCP&L shall provide \$125,000.00 to the county OEM offices within its service area for purposes of improving emergency management efforts as follows:

- Burlington County           \$ 3,000
- Mercer County               \$ 3,000
- Middlesex County           \$ 15,000
- Monmouth County           \$ 56,000
- Ocean County               \$ 48,000

In addition, JCP&L shall provide \$125,000.00 to the Department of Education, State of New Jersey, to support educational programs. Such payment shall be made to the OEM offices and to the Department of Education consistent with appropriate language in the New Jersey state budget permitting both the receipt and expenditure of these funds. Payment shall be made on July 10, 2003.

15. Execution and approval by the Board of this Stipulation shall constitute final resolution of JCP&L's response to the outages of August 2, 2002 and any and all alleged violations of existing regulations and prior Board Orders related thereto. This Stipulation also constitutes final resolution of any and all issues relating to JCP&L's compliance with existing regulations and prior Board Orders addressing the following areas: (i) critical needs customers, i.e., residential customers with life-sustaining equipment on the customer's premises, (ii) customers with private wells, (iii) use of retirees in connection with storm response/restoration efforts and (iv) required number of employees and/or staffing levels in the job classifications listed in Paragraph 3 of this Stipulation, except that (a) JCP&L remains bound by the obligations of Paragraph 32 of I/M/O Joint Petition of FirstEnergy Corp. and Jersey

Central Power & Light Company, Order of Approval, BPU Dkt. No. EM00110870, dated October 9, 2001, and (b) consistent with the Memorandum of Agreement contract extension with JCP&L's bargaining unit employees, JCP&L will not implement any involuntary layoffs through October 2004, as described in the aforementioned Order of Approval.

16. Nothing in this Stipulation shall impact the rights and obligations of JCP&L under any existing collective bargaining agreement to which JCP&L is a party.
17. The Parties agree that this Stipulation contains mutually balancing and interdependent provisions and is intended to be accepted and approved by the Board in its entirety and the Parties agree to be bound by its terms. In the event any particular aspect of this Stipulation is not accepted and approved by the Board, without addition, condition or modification, by a final, non-appealable Order of the Board, this Stipulation, at the option of the aggrieved Party, shall become null and void and the Parties shall be placed in the same position that they were in immediately prior to the execution of this Stipulation. The Parties further agree that nothing in this Stipulation shall prevent the Parties from presenting arguments or advancing positions before the Board in any other proceeding unrelated to the approval or implementation of this Stipulation, provided that no such argument or position is in derogation of this Stipulation.

**IN WITNESS WHEREOF**, each of the parties hereto has caused its duly authorized attorney to execute and deliver this Stipulation as of February 18, 2003.

Peter C. Harvey  
Attorney General of New Jersey  
Attorney for Staff of the New Jersey  
Board of Public Utilities

Jersey Central Power & Light Company

(Signed)  
By: \_\_\_\_\_  
Susan J. Vercheak  
Deputy Attorney General

(Signed)  
By: \_\_\_\_\_  
Marc B. Lasky  
Thelen Reid & Priest LLP